

E-002/CI-91-966 ORDER INITIATING INVESTIGATION

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

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Chair
Commissioner
Commissioner
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Commissioner

In the Matter of an
Investigation Regarding Northern
States Power's Refuse Derived
Fuel Activity

ISSUE DATE: December 12, 1991

DOCKET NO. E-002/CI-91-966

ORDER INITIATING INVESTIGATION

PROCEDURAL HISTORY

On January 28, 1991, Northern States Power Company (NSP or the Company) filed a petition under Minn. Stat. § 216B.16 (1990) for an increase in electric rates of \$98,198,000, an 8.1% increase over current rates. This matter was assigned docket number E-002/GR-91-1. The Company also filed a petition for interim rates in the amount of \$71,904,000, a 5.9% increase.

On March 11, 1991, the Commission accepted the Company's filings, suspended the proposed rates, and ordered contested case proceedings before an Administrative Law Judge (ALJ) under Minn. Stat. § 216B.16, subd. 1 (1990). The ALJ held evidentiary hearings on June 19-21, June 24-28, July 1-3 and July 8-10, 1991. In the course of this proceeding, Mankato Citizens Concerned with Preserving Environmental Quality (Mankato) raised questions regarding NSP's activity with respect to refuse derived fuel (RDF).

On August 16, 1991, the Residential Utilities Division of the Office of the Attorney General's Office (RUD-OAG) filed its brief recommending, among other things, that the Commission investigate questions regarding the removal of the Red Wing and Wilmarth generating plants from the rate base in a separate docket.

On September 5, 1991, the Department of Public Service (the Department) filed its reply brief stating that Mankato had raised interesting and troubling questions about NSP's RDF operation and its impact upon ratepayers. The Department recommended that the Commission open an investigation to determine whether ratepayers have subsidized the RDF operation.

On August 16, 1991, NSP filed its brief objecting to Mankato's proposal for an RDF investigation.

On September 30, 1991, the ALJ filed Part I of his report which included his findings and recommendation regarding the RDF issues. The ALJ recommended that the Commission conduct a separate investigation into the question of whether NSP's RDF business has been subsidized by NSP's ratepayers.

On October 21, 1991, in considering NSP's application for a rate increase (Docket No. E-002/GR-91-1) the Commission heard oral argument regarding the RDF issue. In oral argument, NSP withdrew its opposition to an investigation of the RDF operation and indicated that this would be appropriate.

On October 22, 1991, the Commission met to consider, among other issues, the RDF issue.

FINDINGS AND CONCLUSIONS

In Docket No. E-002/GR-91-1, based on the record in that docket, the Commission found the specific rate case issues in favor of NSP, i.e. that the Wilmarth and Red Wing plants should be allowed in NSP's rate base and that its purchases of electricity from United Power Association's (UPA's) Elk River RDF generator during the test year should be allowed in test year expenses.

However, the rate case determinations did not resolve all questions regarding NSP's RDF activities. Mankato has raised interesting and troubling public policy issues regarding NSP's involvement with RDF. The Department, the RUD-OAG and the ALJ recommended that the Commission investigate this matter further in a separate docket.

The Commission will exercise its authority pursuant to Minn. Stat. § 216B.14 (1990) to initiate an investigation into the propriety of the Company's RDF activity. The Commission will ask the Department to conduct an investigation and file a report and recommendation. The Department may pursue any relevant aspect of NSP's RDF activity, and will, at a minimum, evaluate Mankato's allegations that ratepayers have subsidized or are subsidizing the non-regulated RDF operations and that the costs incurred for the RDF plant, operations, and purchased power contracts are unreasonable and do not meet the conditions established by the Commission in In the Matter of the Request by Northern States Power Company to Consider Refuse Derived Fuel Facilities as Regulated Electric Utility Property, E-002/M-84-790, ADVISORY OPINION (August 15, 1985).

It is the Commission's intent that the investigation be completed in time to weigh the results in NSP's next electric rate case.

ORDER

1. An investigation of Northern States Power Company's (NSP's) refuse derived fuel (RDF) activity is hereby initiated on the Commission's own motion pursuant to Minn. Stat. § 216B.14, subd. 1 (1990).
2. The Department of Public Service (the Department) shall conduct an investigation, report back to the Commission, and serve copies of its report upon the parties to Docket No. E-002/GR-91-1 on or before March 1, 1992.
3. Interested persons shall have 15 days to file comments following the filing of the Department's report.
4. This Order shall become effective immediately.

BY ORDER OF THE COMMISSION

Richard R. Lancaster
Executive Secretary

(S E A L)